

# ESRI Post-Budget Briefing

## Distributional, poverty and inequality impacts

### DATE

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Tax, Welfare & Pensions  
team

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# What is the distributional impact of Budget 2022?

## For what population?

- Employment calibrated to latest available PUP (October 2021) and EWSS (Aug 2021) statistics
- Income inflated to 2022 using forecast price growth of 2.2% (Department of Finance)

# What is the distributional impact of Budget 2022?

## Compared to what?

- An 2021 tax and welfare system that is adjusted for forecast inflation
- Pre-announced decrease in PUP rates & expiry of reduced VAT rate in baseline

# What is the distributional impact of Budget 2022?

We compare Budget 2022 to a set of policies (2021 and pre-announced for 2022) that would have a distributionally neutral outcome for the 2022 population

➤ Winners and losers in real terms

# Distributional effect of Budget 2022

# Budget 2022 – main measures analysed using SWITCH

## Pre-announced policies in the baseline

PUP rates ↓; temporary VAT cut expiry

## Income tax

Bands/credits indexed for workers; employer PRSI threshold increased

## Welfare

Personal rate of benefits increased with proportional increases for qualified adults and children; Working Families Payment increase; Living Alone Allowance increase; Fuel Allowance payment and threshold increased; Carer's Allowance disregard increase; Disability Allowance earnings limit increased

## Non-cash benefits

National Childcare Scheme: Universal Childcare Subsidy extended to u-15s; hours of (pre-)school no longer deducted from eligible hours, income thresholds and rates of payment frozen

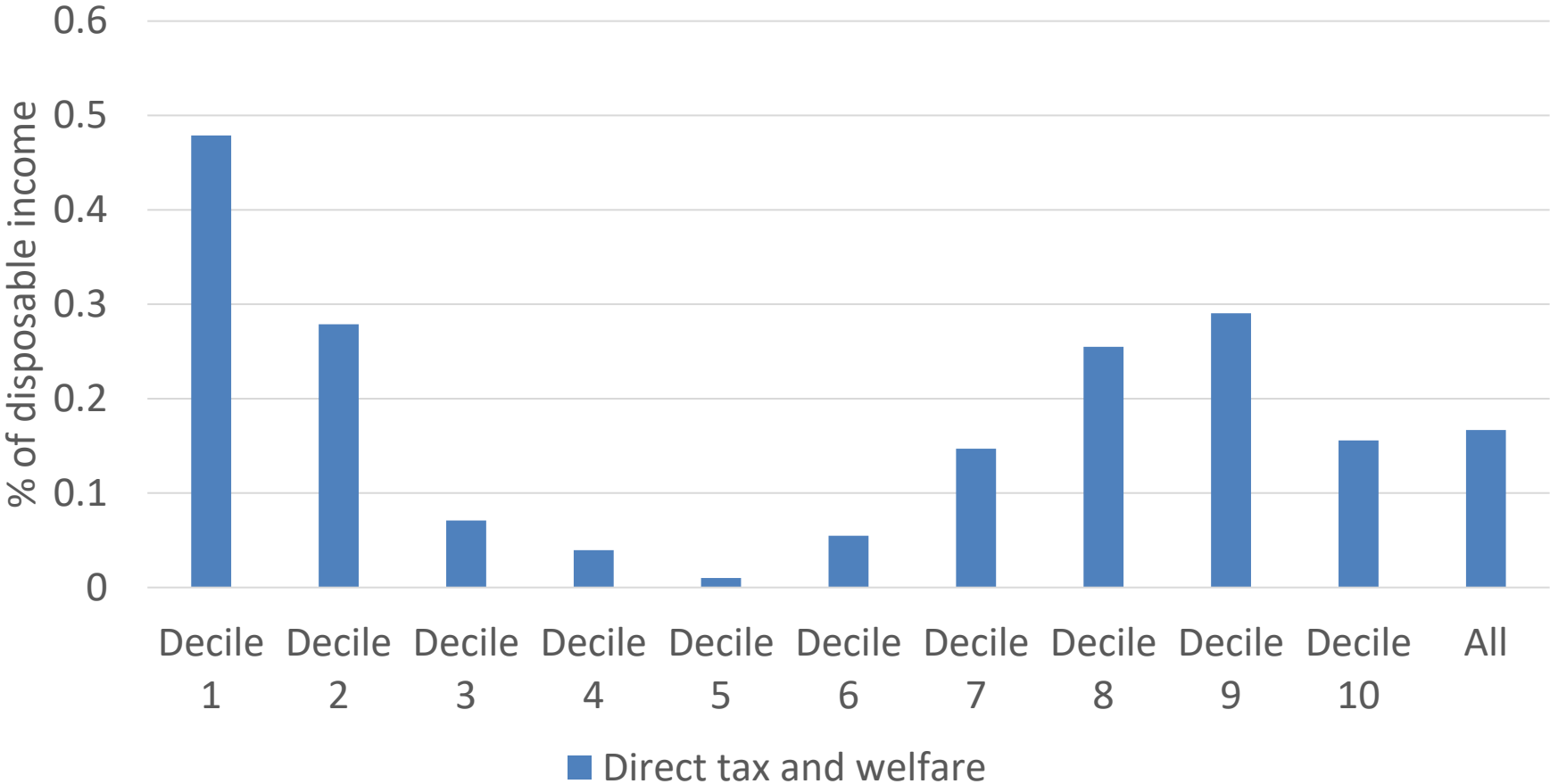
## Indirect tax

Tobacco excise + 50c; carbon tax + 7.50/tonne

**All policy changes modelled as fully in place with no behavioural impact**

# Compared to a price-adjusted budget, direct tax and benefit measures will result in small gains for households

### Direct tax and welfare

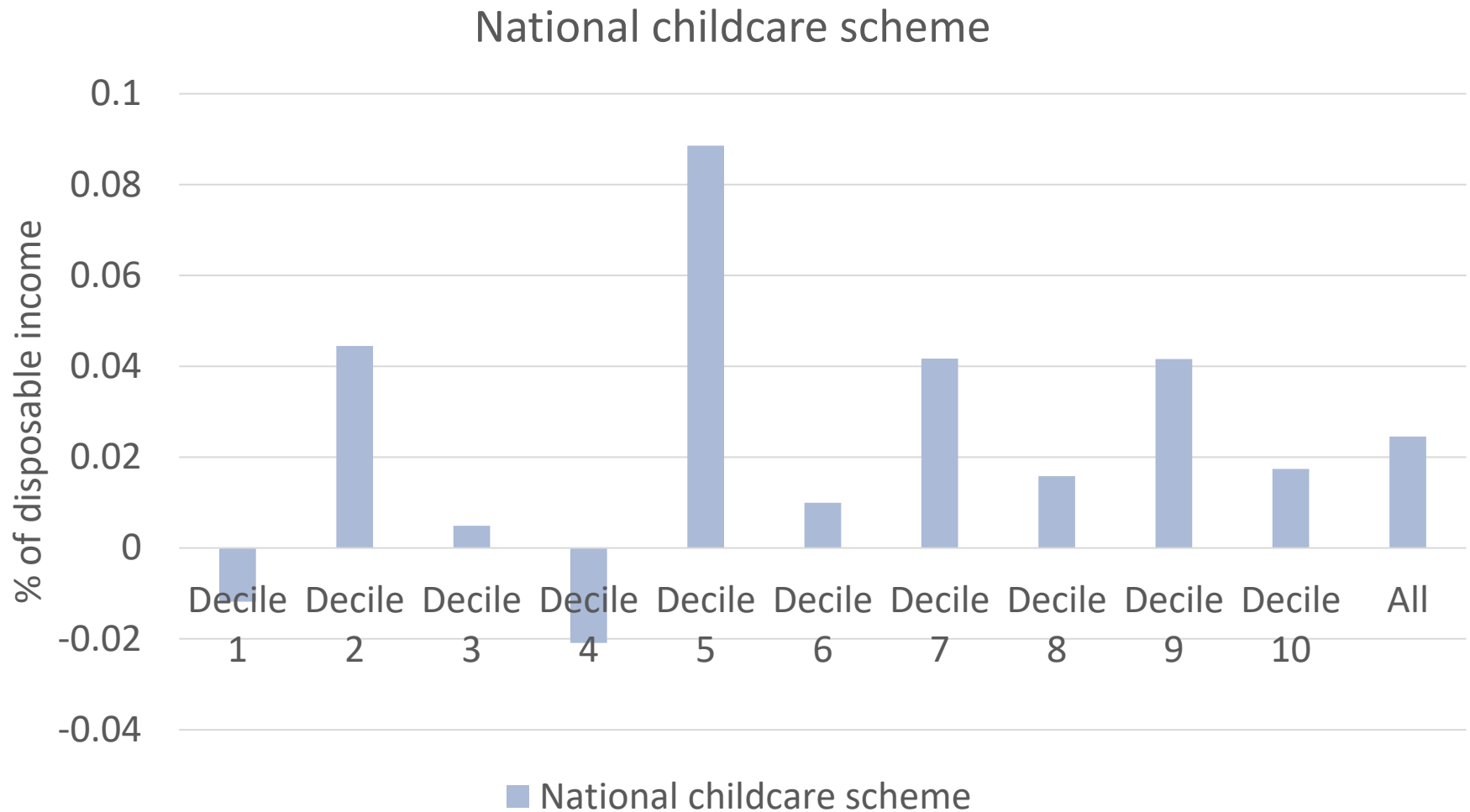


# Indirect tax measures affect low income households most

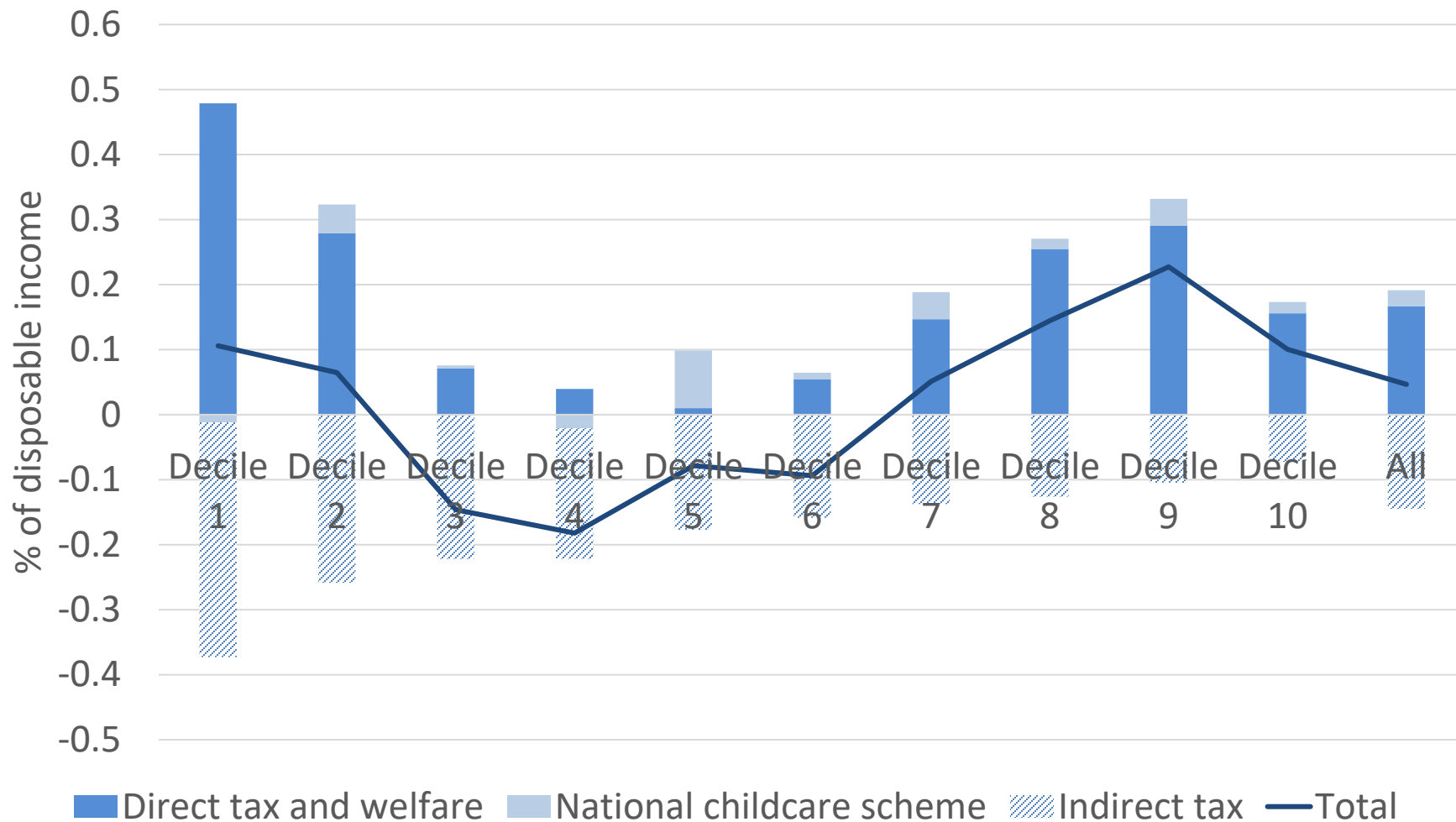




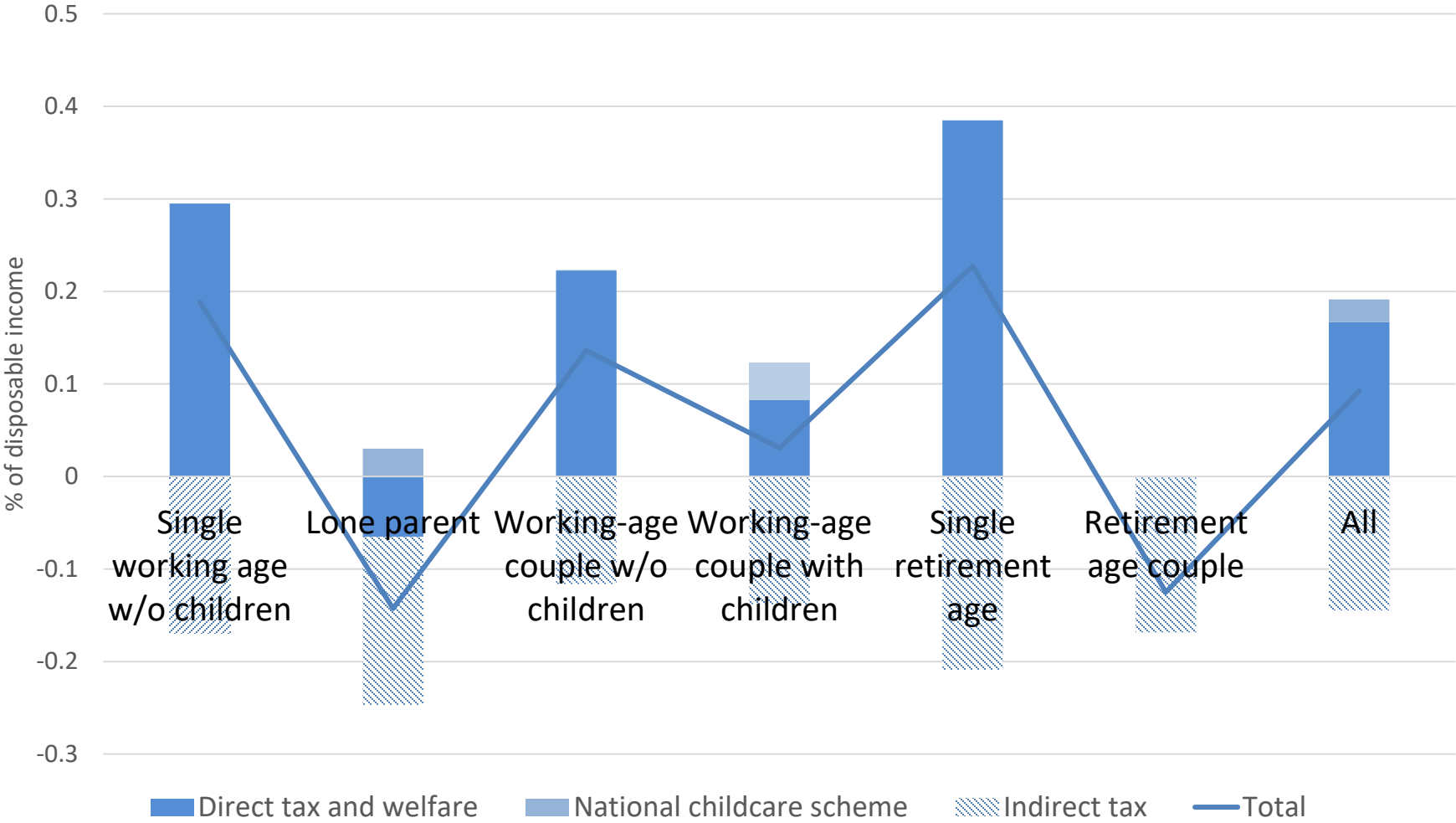
# Reform to the NCS has very small effects



# Compared to a price adjusted-budget, the overall impact of the budget on household income is small

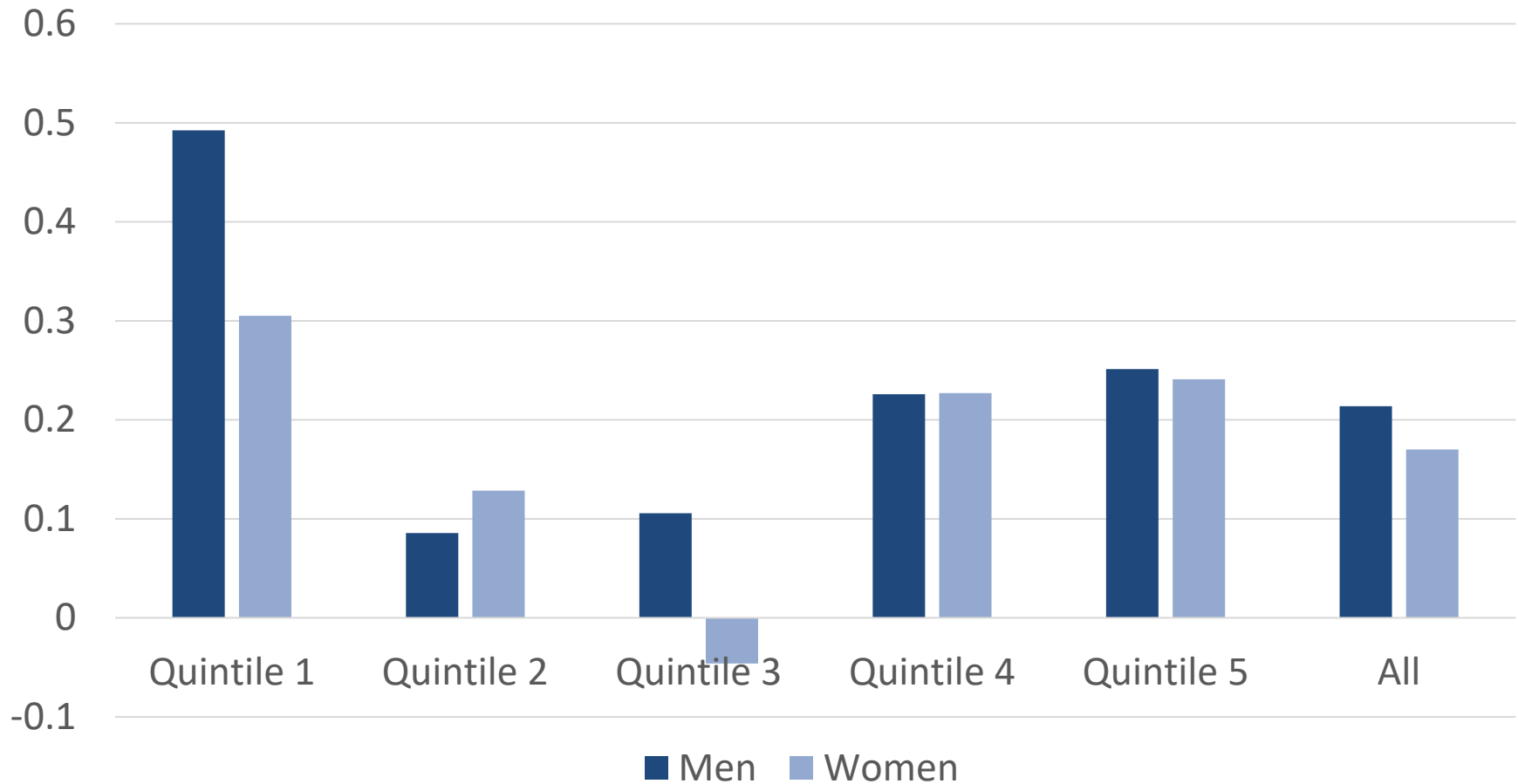


# Small income losses expected for lone parents and retired couples



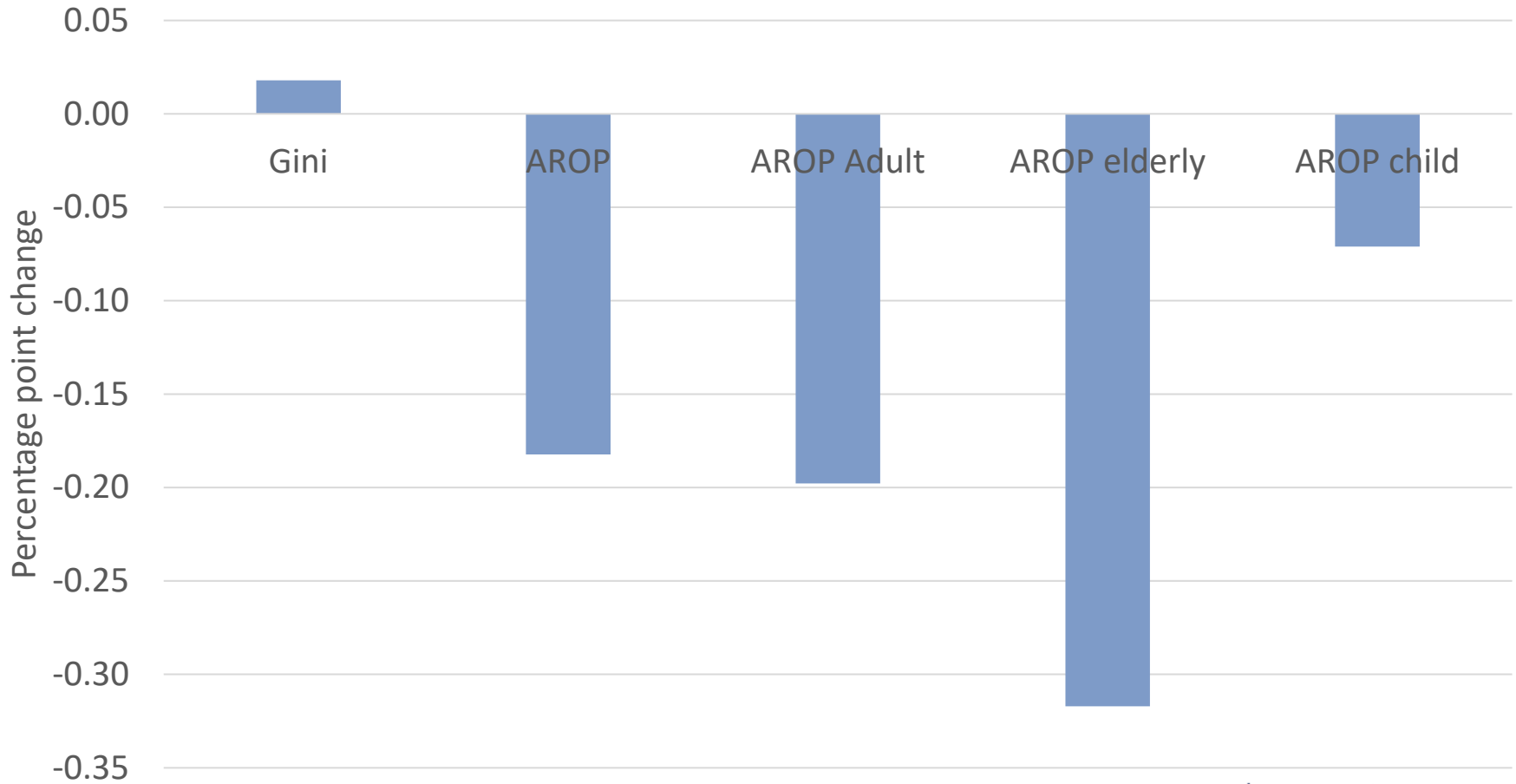
# Men in low income households gain slightly more than women

Total (direct tax, welfare & NCS)



# No change to income inequality, small reductions in poverty measures

Change compared to a price-adjusted budget



# Conclusion

# Conclusions

- On average, direct tax and welfare budgetary measures are keeping pace with forecast inflation
  - benefit low-income and high-income households most although magnitudes are small
  - Slight fall in at-risk-of-poverty rates
- Indirect tax measures affect low income households most
  - More than offset by direct tax and welfare measures for most groups
- Uncertainty around inflation forecast and wage growth next year – estimated gains could be eroded

Thank you!  
Questions?